

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

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IN THE MATTER OF THE APPLICATION OF
DELMARVA POWER & LIGHT COMPANY TO
TO IMPLEMENT AN ADVANCED METERING
ENABLED DYNAMIC PRICING PLAN
(OPENED MARCH 22, 2011)

)
)
) PSC Docket No. 09-311
)
)

ORDER NO. 8094

AND NOW, this 20th day of December, 2011:

WHEREAS, by Order No. 7620 dated August 4, 2009, the Delaware Public Service Commission (the "Commission") opened this docket to investigate the benefits to ratepayers of dynamic pricing and other rate options that might become available with the diffusion of the Advanced Metering Initiative ("AMI") then being implemented; and

WHEREAS, on November 30, 2009, a joint consensus report addressing three primary options for implementing dynamic pricing was filed by Delmarva Power & Light Company ("Delmarva"), the Commission Staff ("Staff"), the Division of the Public Advocate (the "DPA"), the Retail Energy Supply Association ("RESA"), the Delaware Energy Users Group ("DEUG") and Constellation Energy; and

WHEREAS, on March 23, 2011, Delmarva filed an Application to Implement an Advanced Metering Enabled Dynamic Pricing Plan and Dynamic Pricing Rider DP (the "Application") and prefiled direct testimony from five witnesses: Delmarva President Gary R. Stockbridge; Karen R. Lefkowitz, Vice President of Business Transformation for Pepco Holdings, Inc. ("PHI"); Charles R. Dickerson, PHI Vice President of Customer Care; Joseph F. Janocha, PHI Manager of Rate Economics;

and Stephen L. Sunderhauf, PHI Manager of Program Design and Evaluation (Exs. 2-7);¹ and

WHEREAS, on July 7, 2011, Delmarva submitted supplemental testimony from Messrs. Stockbridge, Dickerson and Janocha. (Exs. 8-10); and

WHEREAS, notice of Delmarva's Application was published in the *News Journal* and the *Delaware State News* on April 7 and 25, 2011, and in *The Sussex Countian* on April 13, 2011; the *Community News* on April 17, 2011; and *The Cape Gazette* on April 8, 2011 (Ex. 1); and

WHEREAS, Delmarva, Staff and the DPA held workshops on May 25 and June 6, 2011, to which third-party suppliers were invited via e-mail sent to the representatives that attended the 2009 workshops; however, no third-party suppliers attended either workshop; and

WHEREAS, on September 7, 2011, Staff submitted a report (Ex. 11) supporting Delmarva's proposal to implement Rider DP for the Field Acceptance Test ("FAT") customers, but identifying five issues requiring resolution before Staff could support a full roll-out of Rider DP for all Delmarva customers; and

WHEREAS, on October 12, 2011, Delmarva filed a response to Staff's Report (Exs. 12 and 12A); and

WHEREAS, after additional meetings held to discuss Staff's issues, Delmarva, Staff and the DPA (the "Participants") filed the proposed Settlement Agreement on December 16, 2011; and

¹ The exhibits introduced at the December 20, 2011 evidentiary hearing will be cited as "Ex. _ (Witness' Name) at _" for direct testimony and "Ex. _ (Witness' Name - S" at _" for supplemental direct testimony.

WHEREAS, on December 20, 2011, we conducted an evidentiary hearing on the proposed Settlement Agreement, at which Delmarva, Staff and the DPA each proffered witnesses to testify regarding the proposed Settlement Agreement who were subject to cross-examination from the Participants and questioning from the Commission; and

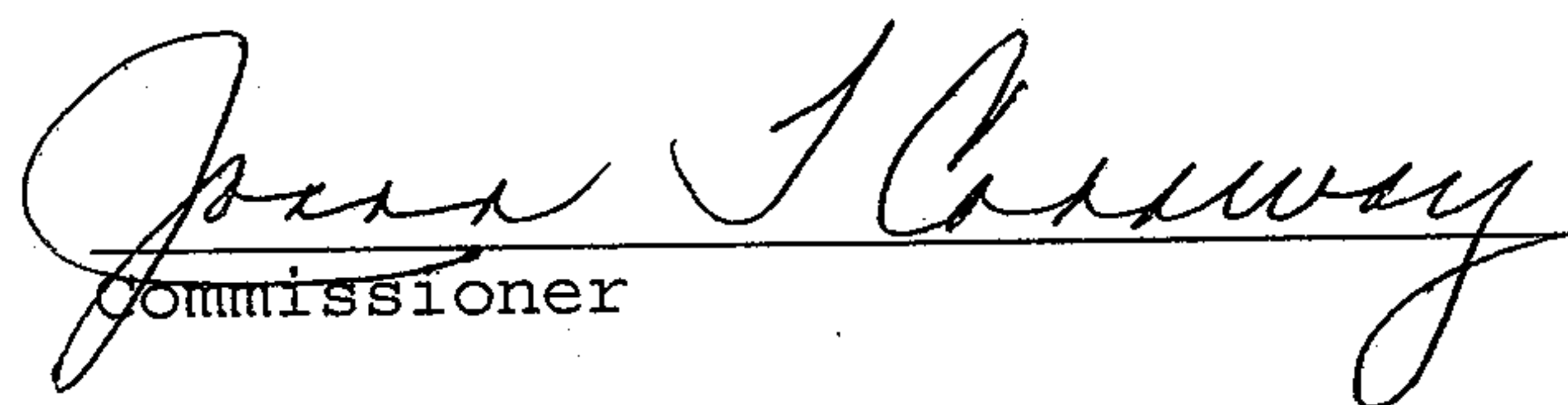
WHEREAS, after the close of the record, we deliberated in open session and at the conclusions of our deliberations voted to approve the proposed Settlement Agreement;

NOW, THEREFORE, BY THE AFFIRMATIVE VOTE OF NO FEWER THAN THREE COMMISSIONERS, IT IS HEREBY ORDERED:

1. That the proposed Settlement Agreement, and Rider DP with the modifications set forth in the Settlement Agreement will result in just and reasonable rates, are in the public interest, and so are approved.
2. That the Commission will enter a formal Findings and Opinion in support of this Order at a later date.
3. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

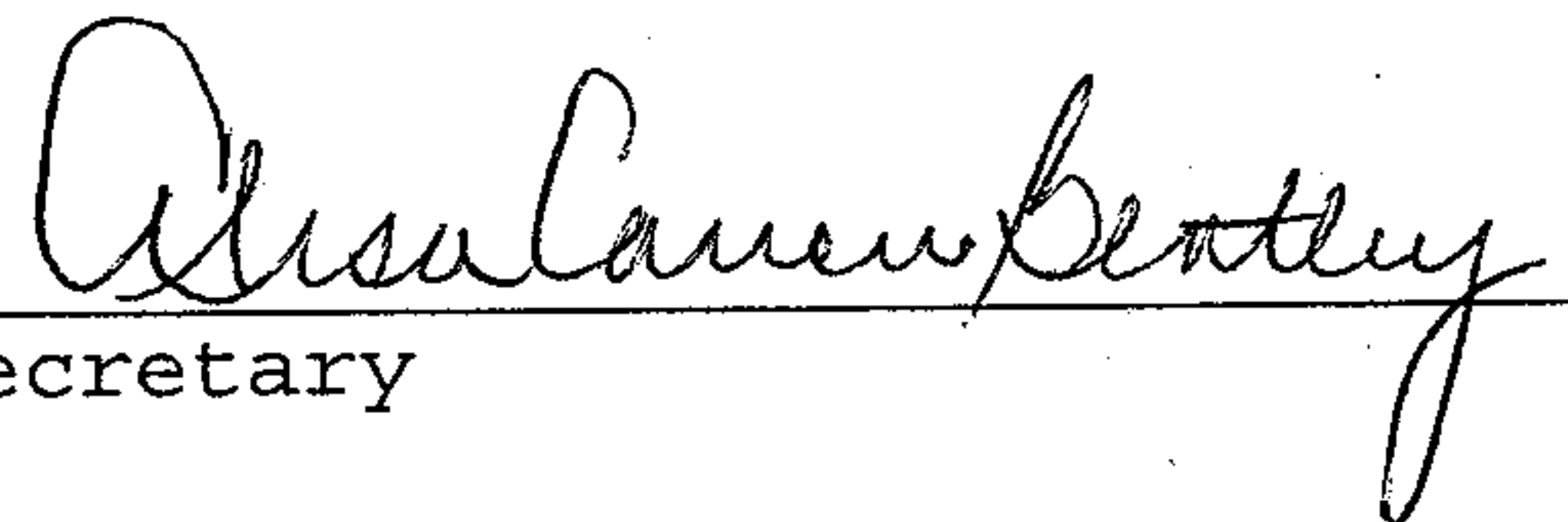

Commissioner


Commissioner


Commissioner


Commissioner

ATTEST:


Secretary

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY TO)
TO IMPLEMENT AN ADVANCED METERING) PSC DOCKET NO. 09-311
ENABLED DYNAMIC PRICING PLAN)

PROPOSED SETTLEMENT

On this 8th day of December 2011, Delmarva Power & Light Company ("Delmarva" or the "Company"), the Delaware Public Service Commission Staff ("Staff"), and the Division of the Public Advocate ("DPA") (together, the "Parties" or "Settling Parties") hereby propose to settle all issues raised in this proceeding as follows.

I. INTRODUCTION

1. Delmarva's customers, along with the State of Delaware, are currently confronted by increased energy prices due, in large part, to constrained capacity. This capacity constraint, which is approached or exceeded for only a few hours a year, increases prices for all other hours of the year, resulting in higher prices for Delaware consumers. As a result of regulatory approval for the diffusion of Advanced Meter Infrastructure ("AMI") throughout Delmarva's Delaware service territory, Delmarva is among the national leaders in deploying AMI, which has the potential to empower its customers to take greater control over their electricity usage if the correct incentives are provided.

2. Delaware's Energy Conservation & Efficiency Act of 2009 (the "Act") requires significant reductions in both electricity consumption and demand. Dynamic pricing ("Dynamic Pricing") rate options can significantly contribute to meeting this goal. Dynamic Pricing provides

incentives to customers to reduce energy use during peak hours, which saves money directly for participating customers and can serve to generally reduce energy costs for all customers in the region. Peak demand reduction reduces the number of hours that expensive generation must operate, reduces the need for ancillary services, and may defer the need to construct additional expensive peaking plants and transmission facilities. An additional benefit to Dynamic Pricing is a reduction in emissions resulting from decreased energy consumption during peak periods. The Dynamic Pricing structure proposed herein is designed to provide incentives to customers to reduce consumption when the costs of producing and supplying electricity are highest. These resulting energy reductions are one component of Delmarva's efforts to achieve the Act's energy reduction goals.

3. Many customers who actively participate in Dynamic Pricing programs see lower bills compared to standard pricing. Customers who reduce energy during peak periods will often take those same actions to use energy more efficiently overall, resulting in lower emissions and again, lower average costs, all other things being equal.

II. DELMARVA'S DYNAMIC PRICING PROPOSAL

4. On March 22, 2011, Delmarva filed an application to implement a Dynamic Pricing Program (the "Program") for its Standard Offer Supply ("SOS") customers. Delmarva has proposed to implement the Program through a rider ("Rider DP") to its residential and small and medium commercial schedules. Rider DP will modify the SOS Generation portion of the bill by specifying Critical Peak Rebate ("CPR") as the default pricing structure. Under the CPR price structure, customers can earn credits on their bill by reducing their electricity consumption below their pre-established Customer Base Line ("CBL"). One of the benefits of using a CPR versus a critical peak price is that there is no penalty if the customer's usage exceeds its CBL.

5. DPL proposes to implement the Program for the 7,000 residential customers who participated in the AMI Field Acceptance Test ("FAT") which occurred from June through

November 2009. These 6,904 FAT customers will be defaulted to Rider DP in the summer of 2012. The remaining residential customers will be moved to Rider DP in 2013. An estimated 152 small and 87 medium non-residential FAT customers will be placed under Rider DP in 2013. In 2014, the remaining small and medium Delmarva non-residential customers will be defaulted to Rider DP.

6. The Parties exchanged information and engaged in numerous working group sessions, during which Dynamic Pricing issues, including the application of Rider DP, were thoroughly discussed. On September 9, 2011 Staff submitted a report on Delmarva's proposed Program, which outlined five issues requiring further discussion. After Staff submitted its report, the Parties held two workshops to discuss and address Staff's issues.

7. The Parties have reached an agreement on an appropriate path forward. The Parties have established an outline for a collaborative process between Staff, DPA, and the Company to evaluate the Program on an ongoing basis.

III. SETTLEMENT PROVISIONS

8. The Parties to this Settlement DO HEREBY STIPULATE AND AGREE to the following provisions for purposes of a full, final and complete resolution of the issues raised in this proceeding:

- a. The Parties agree that the Program, as set forth in the following paragraphs, should be adopted. The Program will be implemented for all Delmarva SOS customers in phases as set forth in Paragraph 5, *supra*.
- b. At the conclusion of the Phase I CPR effective time period on September 30, 2012, there will be one or more Phase I Assessment Workshops in which the Parties will have the opportunity to evaluate the Program and make any necessary changes or improvements. The Parties will work toward filing a recommendation for proposed changes or improvements by December 31, 2012. The Parties will work to identify specific metrics to be measured and analyzed during the Phase I Assessment period, including but not limited to:
 1. The FAT customers' participation levels – Company expectations versus actual response;

2. Monies paid out to FAT customers versus monies available;
3. Customer reaction to the program, such as number of customer complaints and number of customers opting out;
4. Customer education material;
5. Adjusting the tariff rebate rate if necessary; and
6. Whether the Program should be opt-in or opt-out.

The Parties will hold further discussions regarding opt-in and opt-out options to customers as part of the Phase I Assessment Workshops.

- c. The Company agrees to work together with Staff and DPA to ensure the Program works to the satisfaction of Staff and DPA.
- d. The Program will move forward to full implementation as set forth in Paragraph 5, *supra*, after the Phase I Assessment period and will incorporate results obtained from the application of the Program to the initial 7,000 FAT customers, including but not limited to further refinements in customer education.
- e. Reasonable costs associated with the Phase I Assessment Workshops discussed in subparagraph (b) *supra* and any studies or information requirements resulting from the Phase I Assessment Workshops will be fully recoverable by the Company, subject to Commission review and approval.
- f. The Company will bid the Dynamic Pricing Demand Response program into the PJM capacity markets on a MW basis. The Company is a price taker and will receive the market clearing price for the MWs bid into the auction.
- g. The PJM Capacity Markets in which the Company may participate include the PJM RPM Base Residual Auction ("BRA") and all PJM RPM Incremental Auctions ("IA").
- h. Prior to full implementation for allocation and receipt of PJM BRA revenues (2012 through 2014), the Company will meet its State mandated demand response goals from Direct Load Control (subject to Commission approval) and will minimize its use of the Program until the 2015/2016 delivery year.
- i. The Parties understand that for delivery years 2012, 2013, and 2014 the Company may not receive enough revenues in the PJM IAs to pay for customer response under the Program. The Parties agree that any such under-recoveries will carry forward as a regulatory asset into the 2015, 2016 and 2017 delivery years to be offset by revenues received in the BRA and IA auctions.
- j. The Company will regularly monitor demand response forecasts in an effort to ensure the MW bids submitted into the PJM Capacity Markets are reasonable. To the extent that the actual MW volume of demand response is different than the forecast, the

Company will take reasonable actions to minimize cost impacts to the Program. Such actions could include buying back MWs in an IA prior to the delivery period if a short position is forecasted.

- k. The Parties agree to a review of the Company's performance in the 2013-2014 IAs. This review will begin/occur at the end of the 2013-2014 delivery year and will evaluate the accuracy of the Company's forecasted MW reductions versus the actual program impacts. The Parties will continue this review as needed to determine, based upon final three year results for the auction period, how accurate the forecasted MW reductions were, what improvements to the forecasts can be made, and what improvements to the overall program can be made. The Company will take reasonable steps to minimize possible cost impacts, maximize possible opportunities, and monitor and manage MW bids as it relates to dynamic pricing program in the PJM capacity markets. This proposed settlement does not preclude any Party from recommending or seeking changes to the program.
- l. The Company agrees to monitor the total PJM revenues due to it based on results in the BRA and IAs as well as the timing of such revenues compared to the timing of the rebate payments to customers.
- m. Delmarva will actively manage the Program and make reasonable efforts to avoid significant variances.
- n. The Program will only be initiated under specific conditions from May 1 through September 30:
 - (1) Events will be called during PJM initiated events;
 - (2) Events will be called to meet a PJM test if necessary;
 - (3) Events can be called on a discretionary basis. With respect to this subsection, the Company will work with Staff to develop and submit for regulatory approval an algorithm using factors such as: weather, amount of available revenues, progress toward state demand response goals, energy market prices, system emergencies, and projections for future PJM events within the year. If there is an under-recovery despite the Company having followed the algorithm, the Company shall collect the under-recovery through the PCA. If the Company deviates from the algorithm, the Company will be responsible for any under-recovery; and
 - (4) It will not be considered a deviation from the algorithm to call events for PJM and/or Delmarva system emergencies during any time of the year.
- o. The Parties agree that the Program will be used to assist the Company in reaching its overall statutorily-mandated Demand Savings goal of 15% by the year 2015.
- p. The Company will provide information and or/reports on a monthly or as-needed basis, as determined by Staff) to Staff and DPA. Such reporting will include, but is not limited to:

- (1) Information regarding PJM capacity revenues;
- (2) Information regarding PJM energy market payments, if any, resulting from DR being called;
- (3) Information regarding any deficiency payments assessed against the Company for not responding, with deficiency payments broken down by type of payment, quantified in dollars;
- (4) The ongoing balance of monies paid out to customers versus monies collected from PJM;
- (5) The effect of customer migration and changes in customer baselines on the Program;
- (6) Information on the amount of customers participating in the CPR and their response levels during the critical event period of May through September; and
- (7) Any new information regarding Delmarva's activities regarding bidding of the Dynamic Pricing Demand Response Program into the PJM capacity markets.

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- (8) Analysis of the result of PJM's base residual auctions and incremental auctions, including the effect of the auctions on monies available to reimburse responding customers.

Any additional reporting requirements resulting from the Phase I Assessment will be included in these monthly reports/status updates as appropriate. Delmarva will support all reasonable Staff requests for additional reports/information as more experience with the Program is gained.

- q. From the date of approval of the Program through the end of 2013, Delmarva will file semiannual reports with the Commission Staff detailing the steps taken and the progress made regarding its investigation into and integration of pre-paid metering. The Company will consider input from the Staff and DPA concerning a pre-paid metering program in its investigation. In addition, Staff, DPA, and the Company will conduct a minimum of one workshop per year to review the Company's pre-paid metering reports.

IV. ADDITIONAL PROVISIONS

9. The provisions of this Settlement are not severable.
10. This Settlement shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular

issue in agreeing to this settlement other than as specified herein and only as applicable to the treatment of this item for purposes of this Application, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates.

11. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in the Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

AND SO, intending to bind themselves and their successors and assigns, the undersigned

Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.


Delmarva Power & Light Company

By: Todd A. L. Goodman
Print Name

Date: 12/8/2011


Delaware Public Service
Commission Staff

By: William O'Brien
Print Name

Date: 12/8/2011

Division of the Public Advocate

By: _____
Print Name

Date: _____

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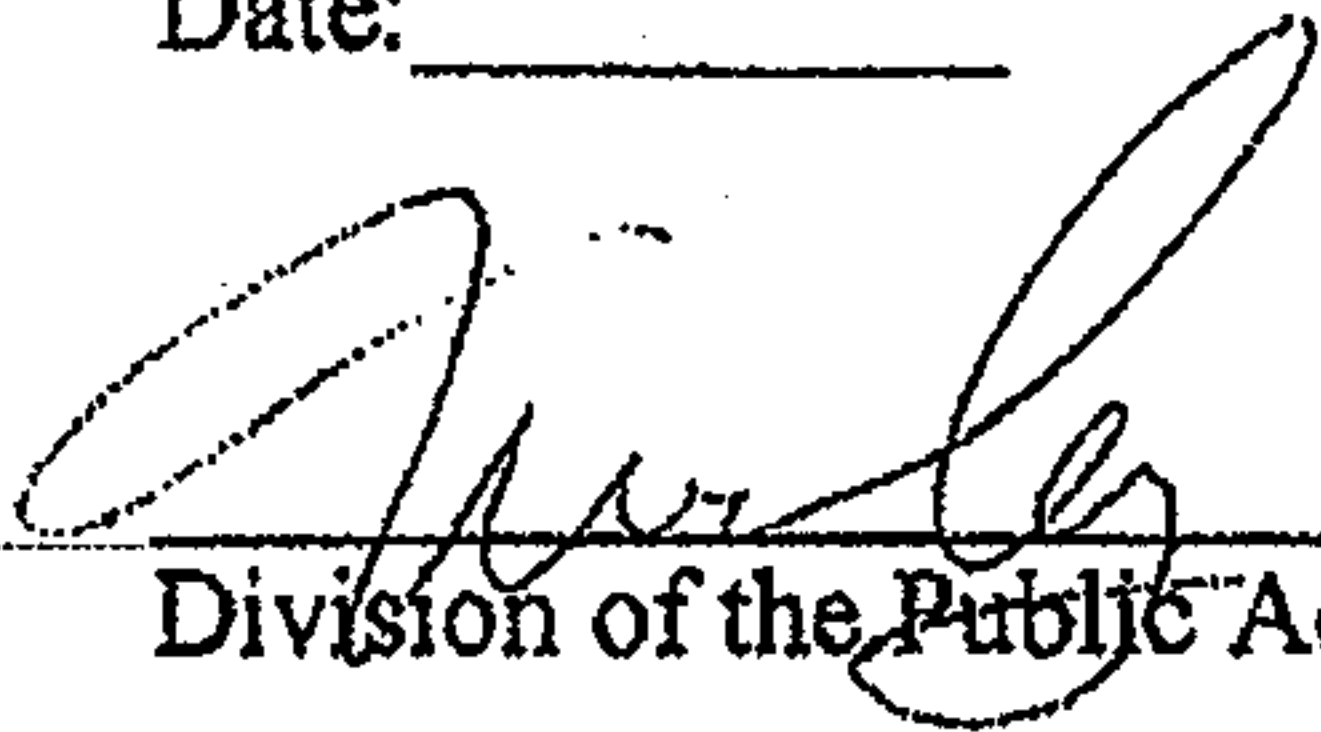
11. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in the Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

AND SO, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.

Delmarva Power & Light Company

By: _____
Print Name

Date: _____



Division of the Public Advocate

Delaware Public Service
Commission Staff

By: _____
Print Name

Date: _____

By: M. Damien Trechy
Print Name

Date: 12/13/11